



Consumer Federation of America



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Seven Things All Homeowners Should Know About Their Homeowners Insurance Policies

Exclusions, hurricane deductibles, and other restrictions could result in delayed and denied claims or higher premiums

Washington, D.C. – Reviewing a homeowners’ insurance policy can be challenging, but with more insurers inserting provisions to shift risk and costs to homeowners, a careful read is more important than ever. To help with the process, the Consumer Federation of America (CFA) and United Policyholders (UP) released a list of the top seven things that all homeowners should know about their policies.

The complete list is available at:

<http://www.consumerfed.org/pdfs/CFAFactsheet.ThingsHomeownersShouldKnowAboutInsurancePolicies.12.6.12.pdf>

“Superstorm Sandy revealed many of the problems homeowners may encounter when navigating the claims process after a natural disaster,” said J. Robert Hunter, Director of Insurance at the Consumer Federation of America. “More than ever, homeowners need to read their policies carefully and ensure that they are fully protected when they experience a loss.”

Homeowners should carefully read their policies, and be aware that:

1. **Most policies contain exclusions for floods, earthquakes, or landslides** – In most parts of the U.S., insurance policies do not include coverage for losses caused by floods, earthquakes, or landslides. Consumers should determine if they are in high-risk zones by checking flood and earthquake maps.
2. **Different deductibles can result in unexpected out-of-pocket costs** – Most insurance policies have at least two different deductibles that apply a flat dollar amount for most losses and another, higher deductible that applies if the loss is related to high winds. The latter could result in significant out-of-pocket expenses in the event of a loss. A careful read or a conversation with an agent or insurer can help clarify what a homeowner’s out-of-pocket costs will be in the event of a loss.
3. **Hidden clauses can result in reduced or denied claims, even for legitimate claims** – Homeowners should check their policies to see if they include a little-known provision called an anti-concurrent-causation (ACC) clause. This confusing clause may result in a denial of claim if a structure is damaged at about the same time by two risks, one of which is covered, (like wind) while the other is not (like flood). If your property is damaged or destroyed by two causes acting together (e.g. wind and flood), an ACC clause can limit or even negate your coverage for all of the damage, even if one of the perils would have been covered had it been the only cause.

4. **Demand surge may leave some homeowners unable to replace their home** – After a major loss, many homeowners are often shocked to learn that their policy does not cover the full amount of the damage and that they may face substantial out-of-pocket costs. A homeowner’s policy may not guarantee home replacement, but may instead be limited to only the amount stated in the policy, or for a small percentage more. When a disaster strikes, building costs rise (this is called “demand surge”). This limited coverage in conjunction with the demand surge could leave the homeowner short of funds.
5. **Policies may not cover mold damage or high-value items** – Homeowners’ policies often limit or exclude coverage for mold damage, non-flood water damage, computers, business property, art, food spoilage and many other specific items.
6. **Building code compliance increases costs, and is not always covered** – Some policies exclude additional costs if a local construction ordinance or building code requires upgrades, such as elevation of the home to comply with flood codes. This coverage needs to be purchased separately, as an add-on to the basic policy.
7. **Prices vary and homeowners should always comparison shop** – Homeowners should compare prices if they experience a large rate increase and shop around at least once every three years. Many insurers raise rates for long-term policyholders if they believe that they are not price sensitive and unlikely to shop.

“There are new exclusions in property insurance policies today that consumers are not aware of that can blow their financial security to shreds after a serious loss,” said Amy Bach, Executive Director of United Policyholders. “We recommend that every homeowner conduct a careful review of their policies and contact their agent or insurer to ensure they have the coverage they need and expect.”

Consumer Federation of America is an association of nearly 280 non-profit consumer organizations that was established in 1968 to advance the consumer interest through research, education and advocacy. www.consumerfed.org.

United Policyholders is a non-profit information resource and voice for insurance consumers in all 50 states. www.uphelp.org.

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